

COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, FINANCE AND ACCOUNTABILITY



OPENING STATEMENT OF
CHAIRMAN TODD RUSSELL PLATTS
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The solvency of the Pension Benefit Guaranty Corporation has become an issue of great concern. Over the past decade, the financial picture at the PBGC has shifted dramatically from surpluses of nearly \$10 million in 2000 to a reported \$24 billion deficit in 2004. Structural changes in the U.S. economy have put a disproportionate strain on firms that traditionally offer employees Defined Benefit plans – the type guaranteed by the PBGC. As we look at the future for the affected sectors of the economy – specifically the manufacturing and airline industries – Congress needs to take a hard look at pension reform. Without action, we risk not only jeopardizing the financial security of 44 million American pensioners, but the possibility of a costly taxpayer bailout to fulfill the promises made to those workers. With an estimated \$400 billion in unfunded pensions, the need to act is urgent.

President Bush, in his FY 2006 budget, has proposed a variety of reforms aimed at meeting these challenges. My colleague, Rep. John Boehner, Chairman of the Committee on Education and the Workforce has taken the lead in vetting these proposals. As Congress discusses these reforms, there is a need to understand the structure of the PBGC, how it is managed and how it will implement new statutory tools. Many in the financial community have expressed concern that problems at the PBGC are not just a function of the economic downturn and that there are structural issues that need to be addressed if any reforms are to work effectively. Specifically, there is a concern that the statutory framework of the PBGC precludes it from responding to financial events that affect solvency and, while the PBGC is in essence an insurer, it lacks the mechanisms employed by traditional insurance companies to mitigate risk. A clear understanding of these and other structural and management issues will ensure that Congress considers reform proposals in the most effective manner.

As a Member of the Education and Workforce Committee, I look forward to working with Chairman Boehner, and I hope to offer unique insights gleaned from this hearing. We have a very distinguished panel here today to offer their expertise. Comptroller General David Walker is a former acting Executive Director of the PBGC, and he brings that experience as well as the perspective of the Government Accountability Office, which has been forward-looking on this issue. We also have Brad Belt, the current Executive Director of the PBGC and Doug Elliott, the President of the Center on Federal Financial Institutions. I thank each of you for being here today, and look forward to your testimonies.